

NATURAL GAS MINORITY BUSINESS DEVELOPMENT PROGRAM

OUTREACH STRATEGY

Prepared by:

U.S. Department of Energy

Office of Fossil Energy

Office of Natural Gas and Petroleum Technology

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I. INTRODUCTION

The production, transportation, and marketing of natural gas is a \$ 90 -billion- a-year industry. However, because of the capital -intensive nature of the industry and an industry trend towards highly capitalized companies, small and minority-owned businesses have had a difficult time entering and competing in the natural gas marketplace. A study conducted in 1995 by the National Minority Supplier Development Council (NMSDC) revealed that less than 25% of the member companies of the American Gas Association have ongoing minority business development programs. Further, the Department of Energy's review of its own Naval Oil Shale Reserves (NOSR) natural gas sales program revealed that the General Provisions of NOSR Invitations for Bid contain Terms and Conditions of Sale that could be impediments to some small and minority owned businesses desiring to bid on this gas. In order to address the issue of minority business participation in the natural gas industry, the Department of Energy, with the cooperation of the American Gas Association and Washington Gas, on July 18, 1996, sponsored a seminar, ***Strategies for Tomorrow's Natural Gas Industry: A "How To" Workshop for Minority Entrepreneurs and Industry Personnel***. The seminar, and a Minority Business Exposition held the following day, was attended by approximately 150 representatives of the minority business community as well as natural gas producers, marketers, and utilities. After the seminar, Energy Secretary Hazel O'Leary announced that the Department of Energy will create an Outreach Strategy that can assist minority firms seeking to do business with the natural gas industry.

II. MISSION

The Natural Gas Minority Business Development Program coordinates Department of Energy support to minority business entrepreneurs seeking to compete in the natural gas marketplace. The Program assists Minority Business Entrepreneurs (MBEs) to create new market opportunities for natural gas and, in so doing, promotes natural gas utilization.

III. VISION

An efficient and competitive natural gas marketplace that is open to all qualified entrepreneurs and contains no artificial or unnecessary impediments to minority business participation.

IV. PROGRAM GOALS AND STRATEGY

Goals:

The goal of the Outreach Program is to significantly increase minority business participation in the natural gas industry. The Program will identify opportunities for minority firms to market their capabilities to natural gas industry purchasers such as producers, utilities, and marketers, while simultaneously educating these purchasers about the benefits of diversifying their supplier base and removing obstacles to increased minority business participation in the industry.

Strategy:

1. DOE to Develop a Natural Gas Minority Business Development Outreach Program That Reflects the Goals Outlined Above

- Institute a Natural Gas Minority Business Development Roundtable format for individuals to discuss relevant issues
 - *Milestone:* Completed (September - October 1996)
- Solicit individual stakeholder input to the Outreach Strategy via a series of Roundtable meetings
 - *Milestone:* Completed (October - November 1996)
- Prepare a Draft Outreach Strategy
 - *Milestone:* Completed (November 1996)
- Circulate Outreach Strategy for individual stakeholder comments
 - *Milestone:* Completed (November 1996)
- Finalize Outreach Strategy and obtain Secretarial approval
 - *Milestone:* December 1996

2. DOE to Create Two Sub-Roundtables (Financial Instruments/ Niche Markets and Minority Business Development Programs) to Obtain Individual Stakeholder Expertise Necessary to Implement the Outreach Program

- *Milestone:* Completed (October 1996)

3. Achieve the Goals of the Natural Gas Minority Business Development Outreach Program

CRITICAL ISSUES TO BE ADDRESSED:

A. Capital Formation and Market Opportunities:

- Work with banks, financial institutions, the International Petroleum Credit Association, and others to develop creative, alternative financial instruments for small and minority-owned businesses.
 - *Milestone:* Ongoing

- Create an information clearinghouse to advise MBEs of these financial instruments and help them find financial institutions willing to use them.
 - *Milestone:* Ongoing
- Develop methods to help MBEs identify opportunities resulting from natural gas unbundling and deregulation inside the city gate.
 - *Milestone:* Ongoing
- Coordinate with the Department of the Interior, Minerals Management Service, to ensure that any future tests or actual implementation of the Offshore Natural Gas Royalty In-Kind Program contain no unnecessary impediments to minority business participation.
 - *Milestone:* Ongoing
- Revise General Provisions of NOSR Invitations for Bid, Terms and Conditions of Sale to remove unnecessary impediments to minority business participation.
 - *Milestone:* January 1997
- Work with the Department of Defense (DOD), Defense Fuels Supply Center (DFSQ), to develop bid procedures for sales of Strategic Petroleum Reserve Oil that do not contain unnecessary impediments to minority business participation. Also work with DFSC to identify opportunities for MBEs to sell natural gas to DOD installations.
 - *Milestone:* January - March 1997
- Assist MBEs to develop project financing opportunities associated with purchasing gas gathering and storage facilities, and other energy assets.
 - *Milestone:* January - December 1997

B. Minority Business Development:

- Work with the National Minority Supplier Development Council, the Minority Business Enterprise Legal Defense Fund, natural gas trade associations, and others to increase the number of world class minority business development programs in the natural gas industry.
 - *Milestone:* Ongoing
- Ensure that Public Service Commissions include natural gas and other hydrocarbons in the mix of "available products" that Local Distribution Companies (LDCs) are asked to buy from minority businesses.
 - *Milestone:* Ongoing
- Work with TRY US RESOURCES' to create an Energy and Related Services Classification in their Annual National Minority Business Directory
 - *Milestone:* Ongoing
- Coordinate minority business attendance at and participation in suitable natural gas industry conferences, seminars, and workshops (e.g., NARUC², GAS MART³)

- *Milestone:* Ongoing
- Use appropriate print media (e.g. MBE Magazine, Natural Gas Daily) to promote natural gas minority business development activities.
 - *Milestone:* Ongoing
- Utilize electronic media to advertise MBE capabilities (e.g., DOE Home Page, ICGTI4 Home Page).
 - *Milestone:* Ongoing

V. MEASURES OF SUCCESS

The Success of the Natural Gas Minority Business Development Program Will be Measured By:

- Significant increases in the number of natural gas industry minority business development programs (as measured by a follow-up study conducted by the National Minority Supplier Development Council in January 1998).
- Creation of new financial instruments to assist minority businesses compete in the natural gas marketplace. Incorporate the Funds Transfer Agent Agreement in the Gas Industry Standards Board Model Sales Contract no later than December 1997.
- Demonstrated increases in the dollar amount of natural gas sales contracts awarded to minority firms by Local Distribution Companies as measured by the annual reports submitted by LDCs to the General Services Administration.
- Inclusion of Funds Transfer Agent Agreement in the Department of Energy's Naval Oil Shale Reserve and the Naval Petroleum Reserve California (NPR-1) gas sales solicitations. These changes will be in place no later than October 1997.
- Increased participation by minority businesses in purchases of crude oil from the Strategic Petroleum Reserve. Increased purchases of natural gas offered for sale or in-kind by the Department of Defense and other Federal agencies.
- Feedback from Roundtable participants and natural gas industry stakeholders.

ROUNDTABLE PARTICIPANTS

Tommy Stine
Public Service Company of
North Carolina
400 Cox Road, P.O. Box 1398
Gastonia, NC 28053-1398

Will Johnson
Visage Energy
6345 Greenvally Circle, Suite 216
Culver City, CA 90230

Harold Williams
Baltimore Gas and Electric
Company
2900 Lord Baltimore Drive
Baltimore, MD 21244

Bradley Hamilton
Washington Gas
6801 Industrial Road
Springfield, VA 22151

Gregory Craig
Cook Inlet Energy Supply
1800 Avenue of the Stars, Suite 1100
Los Angeles, CA 90067

Walter Roth
Union Bank
445 South Figueroa Street
Los Angeles, CA 90071-1602

Jeff Boling
Amoco Energy Trading Company
550 Westlake Park Blvd.
Houston, TX 77079-2696

Jeff Thorsen
Southern California Gas
555 West 5th Street
Los Angeles, CA 90013

Les Lewis
Washington Gas Energy Services
950 Herndon Parkway, Suite 280
Herndon, VA 22070

Jerry Curry
Victoria International Ltd.
7918 Jones Branch Drive,
Suite #520
McLean, VA 22102-3307

Spencer Jordan
Quantum Energy Resources, Inc.
7311 Bellerive Suite 340
Houston, TX 77036

Robert Jones
The Peoples Natural Gas Co.
625 Liberty Avenue
Pittsburgh, PA 15222-3197

Helen Crawley
C & L Petroleum Service
9511 S. Dorchester
Chicago, IL 60628

Jimmy Harrison
Washington Gas
6801 Industrial Road
Springfield, VA 22151

Janice Dupuy
Enron Corp
1400 Smith Street
Houston, TX 77251-1188

Luis MacDonald

Autoflex Inc.
31 E. 31st Street
Baltimore, MD 21218

Allan J. Lee
Mees Pierson N.V.
445 Park Avenue
New York, NY 10022

Donald Regusters
Minority Business Enterprise Legal
Defense Fund
900 S. Second Street NE,
Suite 800
Washington, D.C. 20002

Robert Hill
American Association of Blacks in Energy
927 15th Street NW, Suite 200
Washington, D.C. 20005

Darlene Buchholz
Baltimore Gas and Electric Company
1699 Leadenhall Street
Baltimore, MD 21230-4855

Mitchell Smith, Jr.
The Harbor Bank of Maryland
6812 Riverdale Road
Riverdale, MD 20737

George Hu
Structured Resources Inc.
51 Woodbine Avenue
Larchmont, NY 10538

Frank Torbert
FLT Trading, Inc.
110 Roessler Road, Suite 100B
Pittsburgh, PA 15220-1014

Karl Butler
ICC Energy
311 N. Market Street
Dallas, TX 75202

Kathleen Parker
NP Energy Company
1749 Old Meadow Road
McLean, VA 22102

John Farbes
Big Lake Corporation
2501 Cedar Springs
Dallas, TX 75201

Fred H. Rasheed
Rasheed Associates
614 Central Ave
East Orange, NJ 07018

Michael Harness

OSYKA Corporation
P.O. Box 420368
Houston, TX 77242-6368

Lori Crossley
The First National Bank of Chicago
One First National Plaza, Mail Suite 0362
Chicago, IL 60670-0736

¹ A corporation formed to facilitate business between minority firms, corporations, and government purchasing people.

² National Association of Regulatory Utility Commissioners.

³ Annual gas industry conference sponsored by *Natural Gas Intelligence*.

⁴ International Energy Agency's International Center for Gas Technology Information.